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Letter dated 25 April 2013 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

I have the honour to transmit to you the outcome document of the International Conference on "Modern and sustainable housing construction as a driving force for the comprehensive development and transformation of rural areas, enhancing the living standards of the inhabitants", held on 16 and 17 April 2013 in Tashkent (see annex).

The high-level conference was attended by more than 300 international experts from the United Nations Development Programme, the Department of Economic and Social Affairs of the United Nations Secretariat, the United Nations Educational, Scientific and Cultural Organization, the World Bank, the International Monetary Fund, the Asian Development Bank and many countries of the world.

I would greatly appreciate it if you could circulate the present letter and its annex as a document of the General Assembly under agenda items 20 and 27.

(*Signed*) Dilyor **Khakimov**
Ambassador
Permanent Representative

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Annex to the letter dated 25 April 2013 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

[Original: Russian]

Conclusions and recommendations of the International Conference on "Modern and sustainable housing construction as a driving force for the comprehensive development and transformation of rural areas, enhancing the living standards of the population"

(Tashkent, 16-17 April 2013)

Participants in the International Conference noted that matters relating to sustainable housing construction and the development of related infrastructure as a factor of growth and development had always occupied a prominent position in the economies and banking and financial systems of developed and developing countries throughout the world.

The share of the construction sector in gross domestic product (GDP) currently stands at 6 per cent in Japan and European countries, in the United States of America — over 4 per cent, and in rapidly developing economies is up to 8 per cent. The cost of housing in economically developed countries is up to 30 per cent of overall cumulative capital investment and the share of housing construction, on an annual basis, is up to 25 per cent, which serves as evidence of the enormous role this plays in economic development as a whole.

Research conducted by specialists from the International Monetary Fund (IMF) shows that a weakening in demand and a decline in the state of the property market of only 10 per cent leads to a 2 per cent decrease in GDP in the United States of America, a reduction of domestic economic demand of 3 per cent and, most importantly, a drop in household investment of up to 20 per cent. A similar situation in Germany and Japan gives rise to an even more substantive fall in GDP of 5 per cent, a reduction in domestic demand of 6 per cent and a drop in the volume of household investment of close to 30 per cent.

There is currently no shortage of liquidity in the financial systems of the countries which issue the major reserve currencies. However, adequate access to credit resources does not serve as a stimulus for economic recovery in the context of the present financial and economic crisis, since loans do not go to the real sector. Under these conditions, housing construction and the related infrastructure, such as the public utility and social sector, transport, and production of construction materials, are those areas which could and should serve as one of the most receptive spheres for capital investments, the most favourable being housing construction.

Issues pertaining to the quality and standard of living of the population in rural areas are topical, especially for developing countries in the world. According to data provided by the United Nations, 49 per cent of the world population currently lives in rural areas and, in Asian countries, the rural population is over 58 per cent.

The problem of the provision of amenities for the rural population is a global undertaking requiring appropriate mechanisms to be devised in order to resolve it. In this context, the development of sustainable rural housing construction is the

driving force which is capable of changing a whole series of issues relating to the lives, working conditions and development of the rural population. It is precisely housing construction which has a decisive impact on the pace of national economic development, initially enhancing the related sectors and subsequently in turn stimulating all other sectors.

Taking into account the particularly topical nature of issues concerning enhancement of the standard and quality of life of the rural population in many countries of the world, and also the implementation in Uzbekistan of the policy of consistently conducting economic reforms at the rural level, more than 800 participants, including 300 foreign participants from 61 countries in the world, took part in the International Conference on "Modern and sustainable housing construction as a driving force for the comprehensive development and transformation of rural areas, enhancing the living standards of the population", which took place in Tashkent on 16 and 17 April, 2013. They included representatives of international organizations such as the United Nations Development Programme, the Department of Economic and Social Affairs of the United Nations Secretariat, the Asian Development Bank, the World Bank, the Islamic Development Bank, national financial institutions and development banks, scientific research centres, and also specialists and economists dealing with issues and problems concerning comprehensive social development in rural areas.

Participants in the international conference took particular interest in the address given by the President of Uzbekistan, Islam Karimov, who shared the results of the comprehensive analysis conducted of the role and position of housing construction as the major driving force of economic development.

The leader of Uzbekistan emphasized that housing construction had a decisive impact on the pace of economic development, and was a key link in the formation and sustainable development of the financial system, the construction industry and also the creation of new jobs. He noted that in the context of the continuing world financial and economic crisis, housing construction, the development of the related infrastructure and sectors of industry were becoming one of the most propitious and attractive spheres for capital investment.

In his address, the President of Uzbekistan made a clear and articulate presentation to Conference participants of the essential features and content of the comprehensive program for radical transformation of the appearance of rural areas, which had been launched four years previously in Uzbekistan — this was the consistent enhancement of the well-being and quality of life of people, a change in the nature of their work and the environment in which they live, and, in the final analysis, a change in the perception, mentality and way of life of rural inhabitants.

Issues were discussed at the Conference relating to the role of sustainable housing construction in resolving the most complex series of mutually related issues aimed at changing the appearance of rural areas, and enhancing the culture and comfort of living conditions.

Speakers at the plenary session and the five group meetings discussed and exchanged opinions on the creation of the legal and institutional foundations for the implementation of large-scale housing construction programmes in rural areas, their influence on the development of the economy and its individual sectors, additional stimulus for the growth of competition in the construction industry, the growth of

employment and enhancement of the income of the rural population. In their substantive addresses the rapporteurs shed a great deal of light on experience and successes in the implementation of the policy to bridge the divide between the urban and rural populations.

Conference participants expressed great appreciation for the opportunity provided to familiarize themselves clearly with the scale of the programme, implemented in Uzbekistan, to construct individual housing in rural areas on the basis of standardized models, after visiting the newly developed rural housing complexes built in the regions of Bukhara, Samarkand and Tashkent, with the transport and communication infrastructure connected to them and supplied in accordance with contemporary requirements for health-care and education facilities, and the market infrastructure.

Having listened to and discussed the reports and addresses given at the plenary and group meetings, participants in the International Conference **considered it necessary to draw the following main conclusions**:

1. In any country and at any time, sustainable housing construction has a decisive impact on the pace of economic development, firstly enhancing the related sectors and subsequently in turn stimulating all other sectors. Such indicators as the pace of investment in the housing sector, the volumes of orders for the construction of new houses, the fluctuation of property prices and the granting of loans for housing construction in all countries in the world serve as the most important leading indicators characterizing the beginning of an upturn or, by contrast, a decline in the economy as a whole.

2. Sustainable housing construction and the development of related sectors of the economy and areas of activity constitute the most important link for the formation and sustainable development of the financial system, and the source of both a reliable resource base and of the main part of banks' assets.

In the modern context, where the trust of the population in banking and credit institutions is sharply declining throughout the world, housing construction is becoming the instrument by means of which the population's savings are being transformed into investments, thereby stimulating the level of investment activity and the expansion of economic reproduction.

3. In the context of the continuing world financial and economic crisis, comprehensive housing construction accompanied by infrastructure development for developing countries becomes the driving force for economic recovery, a factor supporting economic growth and the structural reorientation of the economy towards domestic demand.

4. Conference participants noted that in a short space of time — a total of four years — Uzbekistan has achieved impressive results in implementing a large-scale program of rural housing construction.

In this regard, the application of a comprehensive approach has enabled a stable legislative, financial and material basis to be created for the successful implementation of the rural housing construction program in the long term.

5. The initial results show that programme implementation allows the living conditions of the rural and urban populations subsequently to be aligned, the existing structural disproportions in the development of towns and cities and

villages to be overcome, social stability and balanced economic development to be guaranteed and favourable conditions for the implementation of a strong social policy, forming the basis of the Uzbek reform model, to be created.

The ultimate aims of the housing construction development programme are the radical modernization of the way and quality of life of the rural population, the nature of work and the environment in which people live, and, in the final analysis — the mentality, perception and culture of rural inhabitants.

6. An appropriate legislative and regulatory framework has been created in Uzbekistan for the implementation of the rural housing construction programme, the main principles of which merit detailed study regarding their practical application in other countries, including:

- provision by the State, free of charge, of land where houses can be built, and also the construction and connection, at the State's expense, of all the necessary infrastructure and communications;
- radical revision of the system of architectural planning organization and development of rural population centres, according to general plans devised on the basis of modern town and city planning rules;
- construction in newly created rural housing complexes of modern and comfortable houses by the "turnkey" method, based on standardized models, selected following approval in all regions, taking into account climatic and other conditions;
- provision of accessibility to housing that can be built for the majority of rural families through the granting of brand new fiscal and customs benefits and preferential entitlements for all programme participants;
- granting to the rural population of preferential long-term mortgages for the purchase of modern housing in rural areas.

7. Special emphasis should be placed, in terms of Uzbekistan's experience, on the importance of forming effective structures and institutions corresponding to the tasks involved in implementing a large-scale rural housing construction programme.

For these purposes, a specialized commercial bank, a specialized project institute, an engineering company with branches in all regions of the country, licensing companies, and literally thousands of new specialized subcontracting construction organizations have been set up in Uzbekistan.

8. In order to stimulate the involvement of the population and organizations in the construction of individual housing in rural areas in the Republic of Uzbekistan, a wide range of brand new benefits and special entitlements has been provided.

In particular, borrowers are exempt from the payment of property tax on dwellings they have acquired until the mortgage is fully repaid, and also from the income tax on the sum equal to that intended for mortgage repayment.

The key institutions involved in the programme, i.e. project, engineering and subcontracting construction organizations, are exempt from the payment of virtually all taxes and compulsory deductions, and are granted preferential customs tariffs for construction technology delivered and light machinery.

Long-term special loans are provided for developers of individual housing in rural areas for terms of up to 15 years, at an annual rate of seven per cent, which is almost half the refinancing rate of the Central Bank of Uzbekistan.

For firms providing financial support for their workers when purchasing housing, the taxable base for profit tax is reduced by the sum of the support provided.

9. A comprehensive approach in the implementation of the housing construction programme has become the most important instrument in the settlement of issues relating to the transformation of rural areas and enhancement of the living standards of the rural population.

More than US$ 70 million of State budgetary funds are devoted to the construction of infrastructure facilities in newly created rural complexes in Uzbekistan in the form of water-supply, gas and electricity networks, and also roads accessible to vehicles.

Around 700 social and market infrastructure facilities have been built in newly constructed rural complexes, including schools providing general education, rural medical centres, children's sports facilities, trade complexes, branches of banking and credit institutions, markets and consumer service complexes, etc.

10. The implementation of a systemic and comprehensive approach to housing construction has created a powerful stimulus for the development of construction sectors, such as the construction of transport and communication infrastructure, the production of construction and decorating materials based on modern technologies, the expansion of the release of consumer goods and objects for everyday household use (furniture, electrical appliances and other goods for long-term use).

Six hundred newly created firms producing construction materials and structures based on local raw materials, including bricks, inert materials, foam concrete, metal tiles, doors and window units, concrete iron slabs and floors, cable and electrotechnical products, as well as a wide range of new decorating materials, including plasterboard panels, dry building mixtures, ceramic facing tiles, heating boilers, building tiles, floor coverings and many other types of products in demand, have been brought into operation.

11. Programme implementation was supported by international organizations and financial institutions. In particular, the Asian Development Bank approved a rural housing construction support programme, planned for a five-year term, for a total sum of US$ 500 million. Interest in participation in programme implementation is also being shown by other national and international financial institutions and development banks.

12. As a result of the implementation of special-purpose programme measures for the construction of individual housing, as the most important element of the transformation of life in rural areas, not only an improvement in the architectural appearance of the countryside and quality of life of the rural population is achieved, but also an increase in the sociopolitical level and civic responsibility of rural inhabitants, which in the end guarantees a reduction in social tension and the creation of a favourable environment for the formation of the future generation, sure of its future.

On the basis of the conclusions reached and the general opinions formed, **Conference participants considered it necessary to propose the following recommendations**:

1. In the context of the persisting divide in the standard of living between the urban and rural populations, the existing structural disproportions in the development of rural and urban regions, leading to the exodus of the rural population to towns and cities and unmanageable urbanization, especially in developing countries of the world, it is necessary to continue with a thorough practical study of the role and significance of comprehensive housing construction in rural areas as the most important element of the socioeconomic development of rural areas, growth of employment and an increase in the well-being of the populations living in those areas.

2. Housing construction and the development of the related economic sectors and areas of activity must become the most important link for the formation and sustainable development of the financial system, and the source of the resource base and main part of banking sector assets.

3. Investment in the construction sector, especially in housing construction, must be considered a priority, thereby providing growth in employment and income of the population, stimulation of domestic demand, generation and multifaceted growth in trade and service. In addition, construction is a sector which guarantees the transformation of investment into new jobs and power in the production of goods and services.

Noting the high level of social and economic importance of implementation of a housing construction programme in rural areas, above all in developing countries of the world, Conference participants called on international organizations and financial institutions to expand the scales of housing construction projects in conjunction with the development of transport, communication, social and market infrastructure in rural areas of countries of the world.

4. At the same time, national governments and their regulators must take appropriate and timely measures to prevent disproportions in the housing sector and to monitor the activities of banks engaged in different speculative transactions on the mortgage market. In this regard, the main idea of mortgages must be the resolution of contradictions between the limited financial possibilities of the rural population and the cost of comfortable housing.

5. The effectiveness of the implementation of housing construction programmes largely depends on the availability of accessible high-quality building materials and the use in housing construction of modern energy-efficient technologies. In this connection, large-scale housing construction programmes should be implemented together with the development and modernization of the entire construction industry sector, as well as the introduction of advanced and innovative technologies for the production of materials, based on local resources, and the transition to modern methods for the organization of building work.

6. Uzbekistan's experience in implementing a comprehensive, well thought-out rural housing construction development programme, focused on the end result, should be studied in all the countries concerned, that deal with issues concerning balanced economic development and enhancement of the quality of life of the rural population.

Based on Uzbekistan's practical experience, and also international practice examined during the Conference, Uzbek experience should be carefully studied in relation to the creation of structures and institutions for rural housing construction, comprehensive development of the construction industry, the formation of incentives and preferential entitlements for all participants in individual housing construction programmes in agricultural areas.

7. On the whole, Conference participants considered that implementation of the rural individual housing construction programme based on standardized models in Uzbekistan would give fresh impetus to the country's economic development, its social and economic stability, and enhancement of the population's well-being.